

Message Text

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11

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 AID-20 EB-11 CIEP-02 TRSE-00 STR-08

OMB-01 CEA-02 COME-00 FRB-02 XMB-07 OPIC-12 LAB-06

SIL-01 DRC-01 /166 W

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R 140335Z FEB 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 833

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

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E.O. 11652: N/A

TAGS: EGEN, EFIN, ID

SUBJECT: GOVERNMENT COUNCIL FOR PROMOTION OF INDIGENOUS
BUSINESS TO BE FORMED

REF: JAKARTA 0982

BEGIN UNCLASSIFIED

SUMMARY. GOVERNMENT HAS ANNOUNCED IT WILL ESTABLISH
"COUNCIL FOR ESTABLISHMENT AND DEVELOPMENT OF INDIGENOUS
BUSINESSMEN" TO PROMOTE INDIGENOUS ENTERPRISE AND IMPL-
MENT NEW POLICY OF INCREASING INDIGENOUS SHARE IN
OWNERSHIP OF FOREIGN AND DOMESTIC FIRMS. NEW COUNCIL,
WHICH WILL BE LED BY WIDJOJO, APPARENTLY MEETS NEED FOR
SINGLE GOVERNMENT ENTITY WITH PRINCIPAL AUTHORITY IN
THIS AREA. FOLLOWING BASED ON PRESS REPORTS. END
SUMMARY.

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1. NEW COUNCIL WAS ANNOUNCED BY CENTRAL BANK CHAIRMAN

RACHMAT SALEH FOLLOWING MEETING WITH PRESIDENT SUHARTO FEB 11. HE SAID COUNCIL WILL DEVELOP AND IMPLEMENT PROGRAMS TO STIMULATE INDIGENOUS BUSINESS, INCLUDING NEW POLICY ON BEHALF OF INDIGENOUS BUSINESSMEN ANNOUNCED BY SUHARTO JAN 22 FOLLOWING JAKARTA RIOTS (E.G. 51 PER CENT OWNERSHIP IN FOREIGN ENTERPRISES MUST BE TRANSFERRED TO INDIGENOUS OWNERS ON ACCELERATED BASIS; AND 50 PER CENT OF SHARES IN ALL ETHNIC CHINESE BUSINESSES FUNDED WITH GOVERNMENT CREDITS MUST BE GRADUALLY TRANSFERRED TO INDIGENOUS OWNERSHIP). (SEE REFTEL)

2. SALEH SAID NEW COUNCIL WILL BE CHAIRED BY MINISTER OF STATE FOR ECONOMY, FINANCE AND INDUSTRY (EKUIN) WIDJOJO, AND WILL INCLUDE MINISTERS OF OTHER DEPARTMENTS IN ECONOMIC AREA. IT WILL HAVE OPERATIONAL AS WELL AS POLICY-MAKING ROLE AND WILL ESTABLISH BRANCH OFFICES IN PROVINCES. SALEH ADDED THAT NEW COUNCIL WILL COLLABORATE WITH OTHER INDIGENOUS BUSINESS-RELATED INSTITUTIONS, SUCH AS CHAMBER OF COMMERCE (KADIN).

3. IN ANSER TO PESS QUERY, SALEH SAID ONE MAJOR TASK OF NEW COUNCIL IS TO HELP SPEED DEVELOPMENT OF CAPITAL/MONEY/SECURITIES MARKET THAT IS NEEDED FOR ORDERLY TRANSFER OF OWNERSHIP TO INDIGENOUS INVESTORS. HE SAID DEVISING STANDARDS TO PROTECT BUYERS OF STOCK IS IMPORTANT ASPECT OF SUCH A SYSTEM. HE ADDED THAT HE IS NOW HEADING GROUP IN CENTRAL BANK (BODY FOR CREATION OF CAPITAL AND MONEY MARKET) THAT PLANS TO LIST AND EVALUATE ALL NON-INDIGENOUS AND FOREIGN FIRMS THAT MUST TRANSFER PORTION OF THEIR SHARES TO INDIGENOUS INVESTORS UNDER NEW POLICY. END UNCLASSIFIED

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4. COMMENT: ABSENCE OF AN AUTHORITATIVE GOVERNMENT ENTITY TO DEVELOP PROGRAMS FOR INDIGENOUS INVESTORS HAS BEEN A MAJOR BARRIER TO PROGRESS IN THIS AREA. NEW COUNCIL APPARENTLY MEETS THIS NEED. DEVELOPMENT OF CAPITAL AND MONEY MARKET REFERRED TO BY SALEH AS ONE OF NEW COUNCIL'S MAIN TASKS IS, OF COURSE, MASSIVE UNDER-

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TAKING WHICH REQUIRES COMPLEX REGULATORY STRUCTURE AS WELL AS NEW APPROACH TO ACCOUNTING AND DISCLOSURE OF ASSETS BY BUSINESSES WHOSE SHARES ARE TO BE PUBLICLY TRADED. DEVELOPMENT OF THESE NEW INSTITUTIONS AND PRACTICES IS FRAUGHT WITH DIFFICULTY, AND GOVERNMENT'S NEW POLICY OF TRANSFERRING GREATER OWNERSHIP INTO INDIGENOUS HANDS IS THEREFORE REGARDED BY MOST AS VERY LONG-RANGE OBJECTIVE. HOPEFULLY, IN THE MEANTIME,

NEW COUNCIL WILL PURSUE OTHER PROGRAMS TO HELP INDIGENOUS
BUSINESS WITH MORE IMMEDIATE IMPACT.
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